February 5, 2019

The Honorable Holly Mitchell, Chair
Senate Committee on Budget
State Capitol, Room 5050
Sacramento, CA 95814

The Honorable Phil Ting, Chair
Assembly Committee on Budget
State Capitol, Room 6026
Sacramento, CA 95814

The Honorable Dr. Richard Pan, Chair
Senate Budget Subcommittee #3
State Capitol, Room 5114
Sacramento, CA 95814

The Honorable Dr. Joaquin Arambula, Chair
Assembly Budget Subcommittee #1
State Capitol, Room 5155
Sacramento, CA 95814

RE: Immediate Investment is Needed to Protect Services for Californians with Intellectual and Developmental Disabilities

Dear Chairpersons,

Through the Lanterman Act, California provides services and supports to over 330,000 individuals with intellectual and developmental disabilities (I/DD). The State has made a legal and moral commitment to fund the services and supports necessary to allow full, integrated lives for these individuals.

Unfortunately, inadequate rates for services to this population threaten to undermine the core promise of the Lanterman Act. Immediate action is required to stabilize the developmental disability system and ensure that the state is meeting its obligation to provide services to eligible individuals.

As you are aware, the developmental disability system is in the midst of a rate study, which is expected to identify opportunities to achieve greater standardization and address significant shortfalls in the rates. The rate study is due to the Legislature in March 2019, and we are concerned that this timing will not allow for the full consideration and implementation of the recommended reforms to the rates and the rate structure in the discussions for the FY 2019-20 budget.

As the FY 2019-20 Budget is being negotiated, we propose a “down payment” on the rate study’s recommendations to address the crisis in community services, sufficiently stabilize the system, and provide a solid foundation on which to implement broader reforms.
To stabilize the system, approximately $290 million General Fund is required, which represents an 8 percent across-the-board increase in provider reimbursement rates. This appropriation would also yield nearly $200 million in federal matching funds, providing an initial investment in the restoration of the system and illustrate our continued commitment that all Californians with I/DD will receive the services and supports necessary to live full, integrated lives.

Rate freezes and the overall inadequacy of the rate structure are causing program closures, waiting lists for services, staff turnover and shortages, and lack of choice and access for Californians with developmental disabilities. The current rates result in consumers going without necessary services as there is an inadequate pool of providers to deliver the needed services. The Budget bears evidence of this reality, as the system is unable to fully spend appropriated Purchase of Service dollars on needed services, because providers cannot offer services at the rates the regional centers are authorized to pay. This harms individuals with developmental disabilities and violates the promise of the Lanterman Act.

Over the past two decades, rates for services have only been increased twice, and lag far behind the increased cost of doing business. The Consumer Price Index for California has increased more than 8 percent since the Legislature and the Governor approved a wage and benefit pass through for direct service workers in 2016 (ABX2-1) in an effort to stabilize the system. Wage growth has increased even more dramatically at over 12 percent and is the number one cost driver for developmental services. The passage of SB 3 all but erased the expected long-term benefits of ABX2-1 as rates were not adjusted to allow providers to address compression for experienced employees. Under the current rates, service providers are unable to offer competitive wages to direct service staff, resulting in reduced hiring qualifications and risking the quality of services provided to individuals with I/DD. Without the requested relief, there is no doubt that we will continue to ask direct service professionals to perform complex, important work for no more than the minimum wage.

This budget request for an 8 percent across-the-board rate increase would provide more comprehensive relief as a down payment to stabilize the system as we embark on what we expect will be a multiyear effort to fully effectuate the rate study’s recommendations. The State must recognize its role in providing adequate rates to ensure services are maintained for the more than 330,000 individuals in the system as we consider more significant reforms.

We thank you for your time and consideration of this important issue.

Sincerely,

JIM FRAZIER,
State Assembly, District 11

CHRIS R. HOLDEN,
State Assembly, District 41